

ROUTING

Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday June 15, 1977 CG NIDC 77-138C

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Wednesday, June 15, 1977.

The NID Cable is for the purpose of informing senior US officials.

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EAST GERMANY: CU Meeting

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[] *East Germany may interfere tomorrow with West Germans traveling to West Berlin to take part in a rally commemorating the June 17, 1953 worker uprising in East Berlin.*

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[] East German authorities will be closely monitoring the transit routes between West Germany and West Berlin and will very likely stop, search, and perhaps turn back vehicles they think are carrying demonstrators to the event, which is sponsored by the West German opposition Christian Democratic Union. The West Germans assert that such actions would be in violation of the inter-German transit treaty.

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[] Late last week, two Soviet diplomats in East Berlin complained about the planned demonstration to a member of the French mission in Berlin. The Soviets noted they regard the planned rally as a violation of the Quadripartite Agreement of 1971. The two diplomats did not threaten any action, as East German authorities have done in meetings with various West German officials, but they did underscore their complete support for East Germany.

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[] Should the East Germans block the transit routes, it would be the third time in the last four summers that they have prevented travelers from going to West Berlin to undertake activity unacceptable to the East German regime. The Allies have prepared a contingency protest note for delivery to the Soviets if East Germany does impede travelers to West Berlin. []

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SOUTH AFRICA: Soweto Anniversary

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[] *The prospect of a serious outbreak of violence tomorrow in Soweto, the black South African township outside Johannesburg, has increased substantially during the past few days. In many urban centers, blacks, sympathetic whites, and perhaps some coloreds will be commemorating the anniversary of the clash a year ago that touched off nationwide violence.*

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[] The arrest by security police last weekend of many student leaders who had been advocating nonviolent demonstrations on the anniversary removes an important element of restraint on student actions. There were several incidents in Soweto yesterday when students stoned civilian and police vehicles. In addition, a terrorist attack on Monday in which three blacks shot and killed two whites and wounded a third has unsettled the white community in Johannesburg.

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[] The terrorist attack will probably strengthen the insistence of white hardliners, especially in the police, on a more repressive policy against black demonstrators. The Soweto police chief has been advocating a firm but more conciliatory policy but has been unable to reduce violence. The arrest of the student leaders was apparently carried out without his knowledge, probably at the direction of the minister of justice. The government's action may in part have been taken because of

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the students' role in forcing the collapse of the Soweto Urban Bantu Council, a largely ineffective government-sponsored advisory body.

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[] Plans for tomorrow include:

--A boycott of classes, already partially under way in Soweto and elsewhere.

--A work boycott in the Johannesburg area, which is being treated cautiously by black union leaders because of fears of further government action against union activities.

--A nationwide day of mourning for the blacks killed during the riots.

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[] Pamphlets distributed in Soweto, in other townships around Johannesburg, and to a lesser extent in the Pretoria area, ask blacks to stay away from places of entertainment, to dress in black, to shop only for essentials, and to attend church services. The period of mourning may extend through Sunday.

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[] In Cape Town, the previously apathetic Student Representative Council at the white University of Cape Town has distributed a pamphlet calling for change in South Africa and solidarity with the blacks. Police have confiscated thousands of the pamphlets. The mostly English-speaking and generally liberal student body at the university has been quiescent since the government cracked down on student activities in the early 1960s.

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[] Until now, virtually all leaders, both black and white, have called for a peaceful observance of the anniversary of the riots, but, with tensions running high, an isolated incident could quickly touch off major violence. A highly visible police presence in Soweto, which began last week, may serve only to incite students, and another terrorist attack could result in a return to the harsh police action of last year.

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USSR: Pre-Belgrade Maneuvers

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[] *On the eve of the Belgrade conference, the Soviets are stepping up their public and private counteroffensive on the human rights issue and are preparing to hit back in a number of ways should the meeting develop into a full-fledged verbal confrontation between East and West.*

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[] The interrogation in Moscow on Saturday and yesterday of *Los Angeles Times* newsman Robert Toth on charges of receiving state secrets from a Soviet citizen points up the recent propaganda theme stressing the espionage potential of contacts between foreigners and Soviet citizens. Toth, who has had close contacts with dissidents, had been scheduled to leave the USSR this Friday after a three-year tour, but he has now been told not to leave Moscow and to appear for still more questioning today.

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[] The Soviets could try to link Toth to arrested human rights dissident Anatoly Shcharansky, who may be charged with engaging in treasonous activities involving US diplomats and journalists. The KGB presumably knew that Toth was introduced by Shcharansky to the Soviet scientist who gave Toth a paper on parapsychology moments before both Toth and the scientist were apprehended. If and when Shcharansky is brought to trial, Toth's involvement would be useful to the Soviets in building their case against the dissident.

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[] The Shcharansky and Toth cases evidently are parts of the carefully orchestrated Soviet attempt to inhibit any effort by the West to put the USSR and its allies in the dock at Belgrade, and it is possible that the Soviets have not firmly decided on the disposition of either case. At least one Soviet official said recently that the investigation of Shcharansky's case is continuing and would have to be completed before it could be determined whether there would be a trial.

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[] Although the Soviet human rights movement has in recent months been demoralized and weakened by arrest, exile, emigration, and harassment of its members, what is left of the dissident group set up to monitor Soviet compliance with the human rights provisions of the Helsinki accords apparently continues to smuggle statements on this and related issues to the West.

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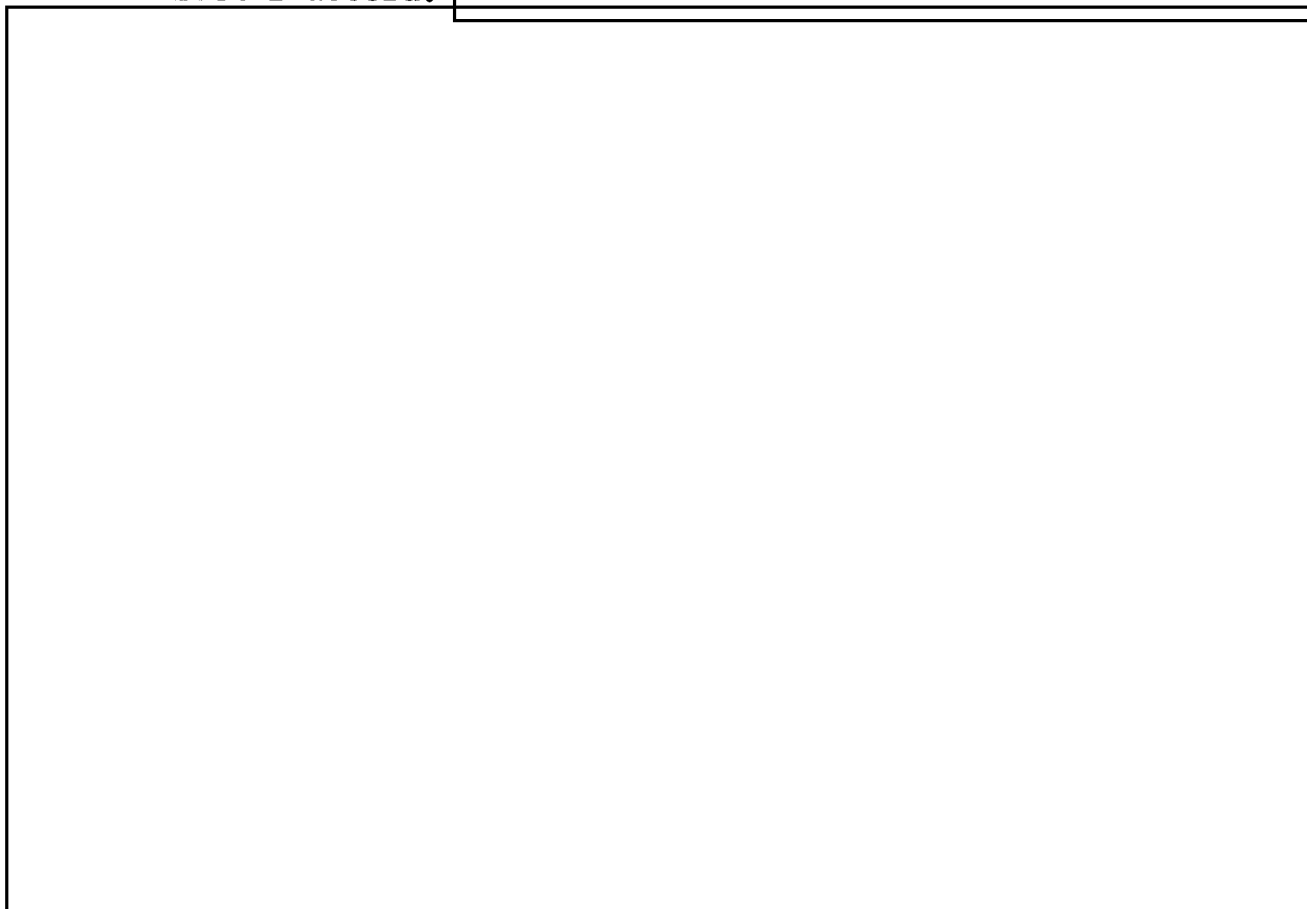
[] One such document recently published in the West and evidently timed for the opening of the Belgrade conference, urges the West not to back down on the human rights issue but also rejects the alternative of a propaganda confrontation. The statement calls instead for an East-West agreement to establish criteria accurately defining which restrictions on individual freedoms are permissible in order to safeguard the interests of the state. Similarly, it seems to call for a definition of what constitutes "interference" in the internal affairs of another state, a catch-all phrase used by the Soviets to deflect Western expressions of concern on human rights in the USSR.

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[] The authors of the statement point out that a refusal by Moscow to negotiate such criteria would show that there is an irresolvable contradiction between human rights and Soviet state interests, in which case the USSR should never have signed the Helsinki accord. []

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JAPAN-USSR: Communist Party Polemics

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[] Relations between the Communist Party of the Soviet Union and the Japanese Communist Party, already poor, were worsened on Monday, when Pravda ran an article rejecting the Japanese party's claim that the Northern Territories rightfully belong to Japan.

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[] The Pravda article was in response to the Japanese party's open letter of May 27, reaffirming the party's traditional policy and disputing the Soviet assertion that the Northern Territories issue had been settled and has nothing to do with current Japanese-Soviet relations. The Japanese party's letter was probably prompted by the Japanese upper-house election next month.

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[] Despite the Japanese Communist Party's efforts to reinforce its image as a "national and independent" party by highlighting the Northern Territories issue, the Japanese Communists continue to be concerned about political campaign charges that they are Moscow's agent. []

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SPAIN: Policy Alternatives

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[] //The Spanish government that emerges from today's election--whatever its composition--will have to avoid the extremes of either harsh austerity measures or a strongly expansionary program. The new government is likely to focus on devaluation, money supply, government investment, and labor relations. //

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[] The economy continues to flounder after more than two years of slow growth, rising unemployment, rapid inflation, and deterioration in the current account. No foreseeable economic program is likely to prevent 1977 from being another year of poor performance. Gross national product will grow by only 2 to 2.5 percent, but prices will rise by about 30 percent, and the current-account deficit will again approach \$4.5 billion. Investment will remain weak.

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[] //Parties left and right of center have been cautiously silent concerning comprehensive economic proposals. Prime Minister Suarez, supported by the Union of the Democratic

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Center, has already indicated that he favors moderate austerity. Fears of a backlash by labor and conservatives, however, will tend to prevent the government from taking drastic measures.//

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[redacted] //The more important economic measures likely to be adopted or proposed this summer include:

--Devaluation of the peseta, perhaps by 15 percent.

--A moderate cut in money supply growth, combined with a freeing of interest rates.

--An increase in government investment spending.

--Negotiation of a social pact with labor, offering such concessions as higher unemployment benefits in return for a pledge to moderate wage demands.//

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[redacted] //Before the year is out, the new government may take action on other measures that are regarded as less urgent although still very important. Steps to encourage private investment--particularly in the areas of import substitution and export industries--would be high on this list. An effort to reduce tax evasion and distribute the tax burden more progressively would be particularly popular.// [redacted]

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CHINA-JAPAN: Protests

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[redacted] *China's official protest to Japan this week against the agreement between South Korea and Japan on the East China Sea continental shelf is stronger than previous statements on the issue by Peking, but it is unlikely to affect Chinese-Japanese relations significantly.*

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[redacted] The Chinese note accuses Japan of disregarding China's viewpoint and sovereignty and warns that "no country or private person may undertake development activities" on the shelf. Peking's warning is unlikely to be tested soon. Tokyo must enact domestic enabling legislation before Japanese companies can undertake activities on the portion of the shelf covered by the agreement.

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[REDACTED] As in previous Chinese protests, Peking asserted that division of the continental shelf should be accomplished in consultations with other concerned nations. Tokyo undoubtedly would welcome consultations, as would South Korea, which is eager to establish contact with Peking. Mindful of its relations with North Korea, however, China is unlikely to follow up its suggestion for consultations, especially if South Korea is to be involved.

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TURKEY: Economic Situation

[redacted] //Turkey will face another critical foreign exchange shortage within the next six months unless it obtains outside help. The timing of the shortage will depend on how long Ankara can hold up payments for imports and how long foreign bankers are willing to maintain deposits of foreign currency in Turkish banks. In the interim, Turkey may approach the US for emergency credits.//

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[redacted] //Turkey has financed nearly half of its cumulative \$4.2-billion current-account deficit in 1975-1976 through so-called convertible lira deposits. Deposits totaling \$600 million must be returned or renewed before September; Turkey currently has only \$600 million in foreign exchange reserves. The country narrowly avoided a balance-of-payments crisis a few weeks before the June 5 election largely because of a credit from West Germany.//

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[redacted] //Turkey now has exhausted readily available sources of financing. Creditors and potential creditors are telling Turkish officials that Ankara will first have to begin negotiations for assistance from the International Monetary Fund. With a much larger share of its foreign debt in private hands than ever before, Turkey is beginning to recognize that conditions for rolling over this debt may be stringent.//

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[redacted] //Discussions with the IMF will take time. The Demirel government did not permit IMF representatives in the country for more than a year, fearing their policy recommendations would be politically unworkable for the shaky coalition.//

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[] //The inconclusive election results have left open the question of who will head the new government, although opposition leader Bulent Ecevit will attempt to assemble a cabinet first. Whether he or Demirel is the new prime minister probably is less crucial to the shape of economic policy than whether current Deputy Prime Minister Erbakan, an autarkist and obstructionist, is once again in the government.//

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[] //The Turks strongly resent outside "interference" in their affairs, and Erbakan probably would resist going to the IMF. Both Ecevit and Demirel would attempt to minimize possible conditions for aid, but Erbakan's presence in the cabinet would permit them even less leeway for negotiating.//

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[] //Turkey's decision to finance rather than to try to reduce its current-account deficit reflects the political circumstances faced by weak caretaker and coalition governments during the last four years. All parties have been bent on pushing rapid economic growth and building up Turkish military forces despite the steep rise in oil prices and the world recession. For example, retail petroleum prices have not reflected the world-wide price increases since 1973. None of the political parties was willing to jeopardize its position by dampening import demand. The US arms embargo put further strain on the balance of payments as the Turks began shopping for weapons in Western Europe on less favorable terms.//

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[] //Turkish leaders apparently have done little to prepare themselves or their people for the austerity measures the new government will have to adopt to restore the country's credit rating. A substantial devaluation is the only move reportedly now under consideration.//

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[] //Ankara probably would accept IMF recommendations for limits on the growth of domestic credit and the money supply, but would strongly reject curbs on military spending. The government might accept limits on nonmilitary spending if they did not involve cuts in politically sensitive programs such as price subsidies. Ecevit, strongly supported by labor, would be particularly resistant to proposals for wage restraints.//

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[] //Regardless of what steps Ankara takes, slower economic growth is a foregone conclusion. Without additional

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foreign assistance, Turkey would have to slash imports--possibly by direct controls on nonmilitary goods. With foreign assistance and a moderate austerity program, the cuts would be more gradual and less severe. Restoration of US military aid could partially ease the foreign exchange shortage but only if the Turks decided to cut back on purchases of West European arms.//

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//Inflation and unemployment probably will increase. Devaluation of the Turkish lira would immediately raise the cost of imports and subsequently retain prices. In addition, wage pressures remain strong despite very high unemployment. The West European nations that have been outlets for surplus Turkish labor are themselves troubled by high unemployment and continue to send Turkish workers home.

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